

Auditing Procedures Report

Issued under Public Act 2 of 1968, as amended

Unit Name	Village of Elkton	County	HURON	Type	VILLAGE	MuniCode	32-3-020
Opinion Date	Apr 24, 2008	Audit Submitted	Jun 17, 2008	Fiscal Year	2008		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <u>NA</u>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 558,225.00
General Fund Expenditure:	\$ 507,192.00
Major Fund Deficit Amount:	\$ 40,015.00

General Fund Balance:	\$ 692,864.00
Governmental Activities Long-Term Debt (see instructions):	\$ 21,806.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations)

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VILLAGE OF ELKTON
REPORT ON FINANCIAL STATEMENTS
(With Additional Information)

February 29, 2008

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April 24, 2008

INDEPENDENT AUDITOR'S REPORT

Honorable Village Council
Village of Elkton
Elkton, Michigan 48731

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Elkton, as of and for the year ended February 29, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Elkton's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Elkton, as of February 29, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages I through VII and 21 through 25, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Elkton's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The combining and individual nonmajor fund financial statements, and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Anderson, Tuckey, Bernhardt & Doran, P.C.

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VILLAGE OF ELKTON, MICHIGAN

Management's Discussion and Analysis

Our discussion and analysis of the Village of Elkton's financial performance provides an overview of the Village's financial activities for the fiscal year ended February 29, 2008. Please read it in conjunction with the Village's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended February 29, 2008:

- The fund balance in the General Fund increased from \$661,831 to \$692,864
- State-shared revenue, the Village's second largest General Fund revenue source, was reduced by the State of Michigan by \$1,643 representing a 1.65% decrease from the prior fiscal year. However, the \$98,031 received from the State of Michigan was above the budgeted projection by \$522.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view. They tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements by providing information about the Village's most significant funds.

VILLAGE OF ELKTON, MICHIGAN

Management's Discussion and Analysis

The Village as a Whole

The following table shows, in a condensed format, the net assets as of the current date:

	Governmental Activities	Business-Type Activities	Total
Current assets	\$ 1,034,906	\$ (68,095)	\$ 966,811
Noncurrent assets	1,133,264	1,518,061	2,651,325
Total assets	<u>\$ 2,168,170</u>	<u>\$ 1,449,966</u>	<u>\$ 3,618,136</u>
Current liabilities	\$ 984	\$ 39,631	\$ 40,615
Long-term liabilities	21,806	596,418	618,224
Total liabilities	<u>22,807</u>	<u>636,049</u>	<u>658,839</u>
Net assets:			
Invested in capital assets -			
Net of related debt		98,117	98,117
Contributed capital		46,731	46,731
Restricted	101,092		101,092
Unrestricted		669,069	669,069
Fund Balance			
Undesignated	763,754		763,754
Designated	1,280,534		1,280,534
Total net assets	<u>\$ 2,145,380</u>	<u>\$ 813,917</u>	<u>\$ 2,959,297</u>

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations ended the fiscal year with a balance of \$763,754 in the governmental activities.

VILLAGE OF ELKTON, MICHIGAN

Management's Discussion and Analysis

The Village as a Whole

The following table shows, in a condensed format, the net assets as of 02/28/07 were:

	Governmental Activities	Business-Type Activities	Total
Current assets	\$ 1,189,651	\$ (39,557)	\$ 1,150,094
Noncurrent assets	876,106	1,520,311	2,396,417
Total assets	<u>\$ 2,065,757</u>	<u>\$ 1,480,754</u>	<u>\$ 3,546,511</u>
Current liabilities	\$ 10,399	\$ 38,941	\$ 49,340
Long-term liabilities	24,107	626,418	650,525
Total liabilities	<u>34,506</u>	<u>665,359</u>	<u>699,865</u>
Net assets:			
Invested in capital assets -			
Net of related debt		109,835	109,835
Contributed capital		46,731	46,731
Restricted	79,676		79,676
Unrestricted		658,829	658,829
Fund Balance			
Undesignated	946,972		946,972
Designated	<u>1,004,603</u>		<u>1,004,603</u>
Total net assets	<u>\$ 2,031,251</u>	<u>\$ 815,395</u>	<u>\$ 2,846,646</u>

VILLAGE OF ELKTON, MICHIGAN

Management's Discussion and Analysis

The following table shows the changes of the net assets during the current year:

	Governmental Activities	Business-Type Activities	Total
Net Assets - Beginning of year	\$ 2,031,251	\$ 658,829	\$ 2,690,080
Revenue			
Program revenue:			
Charges for services	80,569	227,599	308,168
Operating grants and contributions			
General revenue:			
Property taxes	422,026		422,026
Intergovernmental revenue	157,230		157,230
Investment earnings	3,888	1,645	5,533
Miscellaneous	51,149	26,381	77,530
Net transfers	10,000	(10,000)	0
Sale of Lots	4,000		4,000
Total revenue	728,862	245,625	974,487
Program Expenses			
General government	203,632		203,632
Road maintenance and repair	46,027		46,027
Public safety	131,325		131,325
Public works	139,440		139,440
Culture and recreation	30,494		30,494
Ambulance		92,346	92,346
Water & sewer		143,039	143,039
Depreciation	63,815		63,815
Interest on long-term debt			
Total expenses	614,733	235,385	850,118
Change in Net Assets	114,129	10,240	124,369
Net Assets - End of Year	\$ 2,145,380	\$ 669,069	\$ 2,814,449

VILLAGE OF ELKTON, MICHIGAN

Management's Discussion and Analysis

The following table shows the changes of the net assets for the year ended 02/28/07:

	Governmental Activities	Business-Type Activities	Total
Net Assets - Beginning of year - (as adjusted)	\$ 1,908,273	\$ 704,554	\$ 2,612,827
Revenue			
Program revenue:			
Charges for services	116,706	175,561	292,267
Operating grants and contributions			
General revenue:			
Property taxes	389,228		389,228
Intergovernmental revenue	159,249		159,249
Investment earnings	6,085	1,448	7,533
Miscellaneous	12,066	70,194	82,260
Net transfers	10,000	(10,000)	0
Sale of Lots	10,525		10,525
Total revenue	703,859	237,203	941,062
Program Expenses			
General government	195,363		195,363
Road maintenance and repair	71,953		71,953
Public safety	131,996		131,996
Public works	126,436		126,436
Culture and recreation	34,303		34,303
Ambulance		92,272	92,272
Water & sewer		190,656	190,656
Depreciation	55,827		55,827
Interest on long-term debt			
Total expenses	615,878	282,928	898,806
Change in Net Assets	122,978	(45,725)	77,253
Net Assets - End of Year	\$ 2,031,251	\$ 658,829	\$ 2,690,080

VILLAGE OF ELKTON, MICHIGAN

Management's Discussion and Analysis

Business-type Activities

The Village's business-type activities consist of the Water and Sewer Funds and the Ambulance Fund. The Village provides water to residents from ground water wells. Sewage treatment is provided through a Village-owned and operated sewage treatment plant. The Village operated an Ambulance Service for residents in the local area and receives subsidies from four adjoining townships.

The Water and Sewer Fund had a net income of \$764, and its cash flow decreased by \$23,764. Revenues for the fund were down about 3%. The Ambulance Fund had net income of \$9,476, and its cash flow decreased by over \$9,596.

The Village's Funds

Our analysis of the Village's major funds follows the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Village as a whole. The Village Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Village's major funds for the current year include the General, Major Street and Trunkline, Local Street and Refuse Funds.

The General Fund pays for most of the Village's governmental services. The most significant are Administration, Police Department, and Public Works, which incurred expenses of approximately \$420,600 in the current fiscal year. These costs and the remaining \$86,592 cost of the other General Fund departments are funded by real and personal property taxes and other general revenue sources of the General Fund.

VILLAGE OF ELKTON, MICHIGAN

Management's Discussion and Analysis

General Fund Budgetary Highlights

Overall, revenues in the General Fund were above the budget by \$3,637.

Village departmental expenses in the General Fund overall spent more than budget projections by \$2,463.

Capital Asset and Debt Administration

As of February 29, 2008, the Village had a total of approximately \$2,651,638 (net of depreciation) invested in a broad range of capital assets, including roads, buildings, equipment, and water and sewer lines.

Debt service makes up approximately 5% of the total governmental expenditures

More detailed information concerning capital assets and long-term debt can be found in Notes 8 and 11, respectively, in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

In preparing 2008-2009 budget, the village expects similar activity levels to 2007-2008. State shared revenues have been consistently declining in recent years, and this trend is expected to continue. Other revenues are expected to be consistent with the 2007-2008 fiscal year.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the village's office.

BASIC FINANCIAL STATEMENTS

VILLAGE OF ELKTON
STATEMENT OF NET ASSETS
February 29, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash	\$ 847,382	\$ 63,319	\$ 910,701
Accounts receivable	16,763	11,333	28,096
Internal balances	142,747	(142,747)	-
Due from other units	28,014		28,014
Total current assets	1,034,906	(68,095)	966,811
Noncurrent assets:			
Capital assets, net of depreciation	1,133,264	1,518,061	2,651,325
TOTAL ASSETS	\$ 2,168,170	\$ 1,449,966	\$ 3,618,136
LIABILITIES			
Current liabilities:			
Accounts payable			-
Customer deposits payable		\$ 9,631	\$ 9,631
Current maturities on long-term debt		30,000	30,000
Due to other units	\$ 984		984
Total current liabilities	984	39,631	40,615
Noncurrent liabilities:			
Noncurrent portion of long-term debt		596,418	596,418
Accumulated compensated absences	21,806		21,806
Total noncurrent liabilities	21,806	596,418	618,224
TOTAL LIABILITIES	22,790	636,049	658,839
NET ASSETS			
Contributions in aid of construction		98,117	98,117
Contributed capital		46,731	46,731
Restricted for:			
Capital projects	101,092		101,092
Unrestricted		669,069	669,069
Fund balance:			
Undesignated	763,754		763,754
Designated	1,280,534		1,280,534
TOTAL NET ASSETS	2,145,380	813,917	2,959,297
TOTAL LIABILITIES AND NET ASSETS	\$ 2,168,170	\$ 1,449,966	\$ 3,618,136

The accompanying footnotes are an integral part of the financial statements.

**VILLAGE OF ELKTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 29, 2008**

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Governmental activities:						
General government	\$ 203,632	\$ 31,210		\$ (172,422)	-	\$ (172,422)
Road maintenance and repair	46,027			(46,027)	-	(46,027)
Public safety	131,325	49,359		(81,966)	-	(81,966)
Public works	139,440			(139,440)	-	(139,440)
Culture and recreation	30,494			(30,494)	-	(30,494)
Depreciation	63,815			(63,815)	-	(63,815)
Total governmental activities	614,733	80,569	-	(534,164)	-	(534,164)
Business-type activities:						
Ambulance	92,346	83,528			\$ (8,818)	(8,818)
Water & sewer	143,039	144,071			1,032	1,032
Total primary government	\$ 850,118	\$ 308,168	\$ -	\$ (534,164)	(7,786)	(541,950)

General revenues:

Taxes:

Property taxes, levied for general purposes	\$ 343,243		\$ 343,243
Property taxes, levied for streets and sanitation purposes	78,783		78,783
Intergovernmental revenue	157,230		157,230
Investment earnings	3,888	\$ 1,645	5,533
Miscellaneous	51,149	26,381	77,530
Sale of Lots	4,000		4,000
Net transfers	10,000	(10,000)	-
Total general revenues and transfers	648,293	18,026	666,319
Change in net assets	114,129	10,240	124,369
Net assets - beginning	2,031,251	658,629	2,690,080
Net assets - ending	\$ 2,145,380	\$ 669,069	\$ 2,814,449

The accompanying footnotes are an integral part of the financial statements

VILLAGE OF ELKTON
BALANCE SHEET
GOVERNMENTAL FUNDS
FEBRUARY 29, 2008

	GENERAL	MAJOR STREET	LOCAL STREET	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>					
Cash	\$ 463,470	\$ 90,581	\$ 107,313	\$ 125,051	\$ 786,415
Accounts receivable	16,763				16,763
Due from other funds	312,876		26,000	44,025	382,901
Due from other units	17,380	7,836	2,798		28,014
TOTAL ASSETS	\$ 810,489	\$ 98,417	\$ 136,111	\$ 169,076	\$ 1,214,093
<u>LIABILITIES & FUND BALANCES</u>					
Liabilities:					
Accounts payable		-	-		-
Customer deposits payable					
Due to other funds	\$ 116,641	\$ 138,432	\$ 25,206		\$ 280,279
Due to other units	984				984
Total Liabilities	117,625	138,432	25,206	-	281,263
Fund equity:					
Contributed capital					
Contributions in aid of construction					
Retained earnings:					
Reserved					
Unreserved					
Fund balance:					
Undesignated	692,864	(40,015)	110,905		763,754
Designated				\$ 169,076	169,076
Total Fund Equity	692,864	(40,015)	110,905	169,076	932,830
TOTAL LIABILITIES AND FUND BALANCES	\$ 810,489	\$ 98,417	\$ 136,111	\$ 169,076	\$ 1,214,093

The accompanying footnotes are an integral part of the financial statements

VILLAGE OF ELKTON
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET and
STATEMENT OF NET ASSETS
FEBRUARY 29, 2008

	Modified Accrual Basis	Reconciling Items			Full Accrual Basis
	TOTAL GOVERNMENTAL FUNDS	CAPITAL ASSETS & LONG TERM DEBT	COMPENSATED ABSENCES	INTERNAL SERVICE FUNDS	TOTAL
<u>ASSETS</u>					
Cash	\$ 786,415			\$ 60,967	\$ 847,382
Accounts receivable	16,763				16,763
Prepaid expenses					-
Due from other funds	382,901			40,125	423,026
Due from other units	28,014				28,014
Total Current Assets	1,214,093	-	-	101,092	1,315,185
Construction in progress					-
Capital assets					
Land					-
Depreciable capital assets		\$ 2,022,360			2,022,360
Less: Accumulated Depreciation		(889,096)			(889,096)
Total Non-Current Assets	-	1,133,264	-	-	1,133,264
TOTAL ASSETS	\$ 1,214,093	\$ 1,133,264	\$ -	\$ 101,092	\$ 2,448,449
<u>LIABILITIES & FUND BALANCES</u>					
Liabilities:					
Accounts payable	-				-
Accrued salaries & wages					-
Accrued interest payable					-
Due to other funds	\$ 280,279			-	\$ 280,279
Due to other units	984				984
Deferred revenue					-
Accumulated compensated absences			\$ 21,806		21,806
Total Liabilities	281,263	-	21,806	-	303,069
Fund Balances:					
Contributed capital					
Reserved for:					
Capital projects				\$ 101,092	101,092
Fund balance:					
Undesignated	763,754				763,754
Designated	169,076	\$ 1,133,264	(21,806)		1,280,534
Total Fund Balances/Not Assets	932,830	1,133,264	(21,806)	101,092	2,145,380
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,214,093	\$ 1,133,264	\$ -	\$ 101,092	\$ 2,448,449

The accompanying footnotes are an integral part of the financial statements.

VILLAGE OF ELKTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL UNITS
FOR THE YEAR ENDED FEBRUARY 29, 2008

	GENERAL	MAJOR STREET	LOCAL STREET	OTHER GOVERNMENTAL	TOTALS (MEMORANDUM ONLY) PRIMARY GOVERNMENT
REVENUES:					
Taxes	\$ 343,243		\$ 78,783		\$ 422,026
Intergovernmental revenue:					-
Gas & weight tax		\$ 43,621	15,578		59,199
State	98,031				98,031
Charges for services	74,134				74,134
Police	6,435				6,435
Miscellaneous	36,382	5,824	8,943	\$ 6,472	57,621
TOTAL REVENUE	558,225	49,445	103,304	6,472	717,446
EXPENDITURES:					
Legislative	121,198				121,198
Elections	917				917
Village buildings & grounds	28,637				28,637
Police department	131,325				131,325
Cemetery	15,308				15,308
Public works department	139,440				139,440
Recreation department	30,494				30,494
Equipment department	39,873				39,873
Streets		157,461	209,539		367,000
Miscellaneous					-
TOTAL EXPENDITURES	507,192	157,461	209,539	-	874,192
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	51,033	(108,016)	(106,235)	6,472	(156,746)
OTHER FINANCING SOURCES (USES):					
Operating transfers in			10,500	10,000	20,500
Operating transfers out	(20,000)	(10,500)			(30,500)
TOTAL OTHER FINANCING SOURCES (USES)	(20,000)	(10,500)	10,500	10,000	(10,000)
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	31,033	(118,516)	(95,735)	16,472	(166,746)
FUND BALANCE - March 1	661,831	78,501	206,640	152,604	1,099,576
FUND BALANCE - February 29	\$ 692,864	\$ (40,015)	\$ 110,905	\$ 169,076	\$ 932,830

The accompanying footnotes are an integral part of the financial statements.

VILLAGE OF ELKTON
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 29, 2008

Net change in fund balances - total governmental funds	\$ (186,746)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their useful lives as depreciation expense	
Depreciation expense	(63,815)
Capital outlay	320,973
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued absences at the beginning of the year	24,107
Accrued absences at the end of the year	(21,806)
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance, motor pool, central services, and retirees health care, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	<u>21,416</u>
Change in net assets of governmental activities	<u><u>\$ 114,129</u></u>

The accompanying footnotes are an integral part of the financial statements

VILLAGE OF ELKTON, MICHIGAN
 PROPRIETARY FUND TYPE
 COMBINING BALANCE SHEET
 FEBRUARY 29, 2008

	<u>ENTERPRISE</u>		<u>TOTALS</u>	
	<u>AMBULANCE FUND</u>	<u>WATER AND SEWER FUND</u>	<u>2008</u>	<u>EQUIPMENT</u>
<u>ASSETS</u>				
Cash	\$ 35,433	\$ 27,886	\$ 63,319	\$ 60,987
Accounts receivable - net	11,333		11,333	
Due from other funds	57,491	157,786	215,277	40,126
Fixed assets	116,451	2,377,118	2,493,569	
Less accumulated depreciation & amortization	(99,187)	(876,321)	(975,508)	
TOTAL ASSETS	<u>\$ 121,521</u>	<u>\$ 1,686,469</u>	<u>\$ 1,807,990</u>	<u>\$ 101,092</u>
<u>LIABILITIES & NET ASSETS</u>				
Liabilities:				
Accounts payable				
Bonds payable		\$ 626,418	\$ 626,418	
Due to other funds	-	358,024	358,024	
Customer deposits payable		9,631	9,631	
Total Liabilities	-	994,073	994,073	-
Net Assets:				
Contributed capital	\$ 46,731		46,731	
Contributions in aid of construction		98,117	98,117	
Net Assets:				
Reserved for specific purpose			-	
Unreserved	74,790	594,279	669,069	\$ 101,092
Total Net Assets	121,521	692,396	813,917	101,092
TOTAL LIABILITIES & NET ASSETS	<u>\$ 121,521</u>	<u>\$ 1,686,469</u>	<u>\$ 1,807,990</u>	<u>\$ 101,092</u>

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
WATER & SEWER FUND
STATEMENT OF CHANGES IN CONTRIBUTIONS IN
AID OF CONSTRUCTION
FOR THE YEAR ENDED FEBRUARY 29, 2008

	<u>YEAR ENDED 2008</u>
CONTRIBUTIONS IN AID OF CONSTRUCTION - MARCH 1	\$ 109,836
LESS: Depreciation of fixed assets acquired from contributions in aid of construction	<u>(11,718)</u>
CONTRIBUTIONS IN AID OF CONSTRUCTION - FEBRUARY 29	<u>\$ 98,117</u>

See the accompanying notes.

**VILLAGE OF ELKTON, MICHIGAN
 PROPRIETARY FUND TYPE
 COMBINING STATEMENT OF REVENUE, EXPENSES
 AND CHANGE IN NET ASSETS
 FOR THE YEAR ENDED FEBRUARY 29, 2008**

	ENTERPRISE		TOTALS 2008	Equipment
	AMBULANCE FUND	WATER AND SEWER FUND		
OPERATING REVENUE:				
Ambulance calls	\$ 83,528		\$ 83,528	
Water & sewer system sales		\$ 99,371	99,371	
Other services, charges & sales	16,665	6,941	23,606	-
Special Assessments Received		44,700	44,700	
Interest & penalties		2,575	2,575	
TOTAL OPERATING REVENUE	100,393	153,587	253,980	-
OPERATING EXPENSES				
Salaries & wages	30,294	19,737	50,031	
Employee benefits	5,425	10,704	16,129	
Operating supplies	5,669	4,953	10,622	
General fund administrative fee	1,000	3,000	4,000	
Professional fees	7,577	-	7,577	
Contracted services	-	1,817	1,817	
Telephone	459	613	1,072	
Insurance	5,946	5,175	11,121	
Heat, light & power	-	8,023	8,023	
Repairs & maintenance	1,100	29,079	30,179	
Equipment rental	-	6,363	6,363	
Dues & subscriptions	-	540	540	
Advertising	73	-	73	
Bond interest	-	13,949	13,949	
Depreciation	8,907	31,452	40,359	
Education & training	1,470	437	1,907	
Capital outlay	428	-	428	-
Contractual write-off	-	-	-	
Miscellaneous	23,998	7,197	23,998	
TOTAL OPERATING EXPENSES	92,346	143,039	228,188	-
OPERATING INCOME (LOSS)	8,047	10,548	18,595	-
NON-OPERATING REVENUE (EXPENSES)				
Interest earned	1,429	216	1,645	\$ 1,416
TOTAL NON-OPERATING REVENUE (EXPENSES)	1,429	216	1,645	1,416
INCOME (LOSS) BEFORE OPERATING TRANSFERS IN (OUT)	9,476	10,764	20,240	1,416
OPERATING TRANSFERS IN (OUT)	-	(10,000)	(10,000)	20,000
NET INCOME (LOSS)	9,476	764	10,240	21,416
NET ASSETS - MARCH 1	65,314	593,515	658,829	79,676
NET ASSETS - FEBRUARY 28	\$ 74,790	\$ 594,279	\$ 669,069	\$ 101,092

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED FEBRUARY 29, 2008

	<u>AMBULANCE FUND</u>	<u>WATER AND SEWER FUND</u>	<u>TOTALS 2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$ 9,476	\$ 764	\$ 10,240
 ADJUSTMENT TO RECONCILE NET INCOME TO CASH PROVIDED BY OPERATING ACTIVITIES:			
Depreciation and Amortization	8,907	31,452	40,359
 CHANGE IN CURRENT ASSETS AND LIABILITIES:			
(Increase) decrease in accounts receivable	193		193
(Increase) decrease in due from other funds	114,764	107,335	222,099
Increase (decrease) in bonds payable		(30,000)	(30,000)
Increase (decrease) in due to other funds	(131,525)	(95,589)	(227,114)
Increase (decrease) in customer deposits payable		690	690
Purchase of fixed assets	(11,411)	(38,416)	(49,827)
 NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>(9,596)</u>	<u>(23,764)</u>	<u>(33,360)</u>
 NET INCREASE IN CASH & CASH EQUIVALENTS	(9,596)	(23,764)	(33,360)
 CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>45,029</u>	<u>51,650</u>	<u>96,679</u>
 CASH & CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 35,433</u></u>	<u><u>\$ 27,886</u></u>	<u><u>\$ 63,319</u></u>

See the accompanying notes.

**VILLAGE OF ELKTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Village of Elkton (the Village) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of Elkton.

Effective March 1, 2004, the Village implemented the provisions of GASB Statement No. 34 (GASB 34), *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain significant changes in the statements include the following:

A Management Discussion & Analysis (MD&A) section providing an analysis of the Village's overall financial position and results of operations has been included in the financial statements.

Financial statements prepared using full accrual accounting for all of the Village's activities, including infrastructure (roads, etc.).

A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements).

DESCRIPTION OF VILLAGE OPERATIONS AND FUND TYPES:

The Village of Elkton was organized in 1897 as a general law village with a fiscal year of March 1 through February 29. The Village operates under a Mayor-Council form of government. The Village provides various services to its residents including law enforcement, fire protection, community enrichment and human services. The Village provides ambulance service for the Village and the surrounding area. The Village contracts this service to other local units of government using the name Elkton Ambulance Service. The ambulance activity is reported in the Village financial statements as an Enterprise fund named Ambulance Fund.

REPORTING ENTITY:

In accordance with U.S. generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Village of Elkton (the primary government) and its component units. The criteria established by the GASB for determining the reporting entity include oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included. The following is a description of the component units:

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**VILLAGE OF ELKTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the Village of Elkton. There are six major funds reported on the government-wide financial statements.

The Statement of Net Assets presents the Village's assets and liabilities with the difference being reported as either invested in capital assets, net of related debt, or restricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

GOVERNMENTAL FUNDS:

Governmental funds include the following fund types:

General Fund:

This fund is used to account for all financial resources except those provided for in another fund. Revenues are primarily derived from property taxes, State and Federal aid, and charges for services to provide for the administration and operation of: (1) general Village governmental departments, boards and commissions; (2) court systems; (3) law enforcement; and (4) health, welfare and medical assistance. The fund includes the general operating expenditures of the Village.

Special Revenue Funds:

These funds are used to account for specific revenue (other than special assessments, expendable trusts, or major capital projects) derived from State and Federal grants, General Fund appropriations and charges for services which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

Capital Projects Funds:

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

**VILLAGE OF ELKTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

PROPRIETARY FUNDS:

Enterprise Funds:

These funds account for operations: (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds:

These funds account for the financing of goods and services provided by one department or agency to other department or agencies of the governmental unit, or to other governmental units on a cost reimbursement basis or for the purchase of delinquent real property taxes from local units of government.

BUDGETS AND BUDGETARY ACCOUNTING:

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year-end. The budgeted revenues and expenditures for governmental fund types, include any authorized amendments to the original budget as adopted.

Encumbrances represent commitments related to unperformed contracts for goods or services. The Village does not utilize encumbrance accounting.

CASH AND INVESTMENTS:

Cash includes amounts in petty cash and demand deposits. Investments include instruments allowed by state statute subsequently described. Investments are carried at amortized cost or fair value.

State statutes authorize the Village to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by the Government National Mortgage Association; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase and not totaling more than 50% of any fund at any time. The Village is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

SHORT-TERM INTERFUND RECEIVABLES/PAYABLES:

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

RECEIVABLES:

Receivables consist primarily of amounts for intergovernmental revenue and customer charges. An allowance for doubtful accounts has been established in those funds where it was determined to be necessary. Credit risk is minimal because of the large number of customers and the authority of the Village to add receivables to the tax rolls that are secured by the underlying property.

RESTRICTED ASSETS:

Certain proceeds of enterprise fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants and Michigan law.

VILLAGE OF ELKTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

CAPITAL ASSETS:

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, etc.) are reported in the operating fund in the government-wide financial statements. Capital assets are defined by the Village of Elkton as assets with initial individual cost of more than \$2,500 and an estimated useful life in excess of two years. Any donated assets are recorded at estimated fair market value at the date of donation.

GASB 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed or substantially rehabilitated since fiscal years ending after February 29, 1980 be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions GASB 34. The Village has capitalized the current year's infrastructure, as required by GASB 34, and has reported the infrastructure in the Statement of Net Assets.

DEPRECIATION:

Depreciation is computed using the straight-line method. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Land/Land Improvements	0 - 50
Buildings	10 - 50
Bridges	50
Meters	13 - 20
Storm/Sewer lines	30 - 67
Sidewalks/Tailways	30
Water lines	50
Source of Supply	6 - 50
Motor Vehicles & Related Equipment	3 - 10
Machinery & Equipment	5 - 20
Roads	5 - 20
Parking lots	20
Traffic Signals	15

COMPENSATED ABSENCES:

It is the Village's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick leave, which will be paid to employees upon separation from the Village's service. In governmental funds, the cost of vacation and sick leave is recognized when payments are made to employees. A liability has been recorded in the Statement of Net Assets.

FUND EQUITY:

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Contributed capital currently exists only in the enterprise funds. This capital has been used along with other Village resources to purchase or construct the water and sewer systems currently in use within the Village. In order to more accurately reflect the equity remaining in these contributions, the contributions are being amortized over the useful life of the assets they aided in constructing or purchasing.

PROPERTY TAX REVENUE:

Property taxes become an enforceable lien on the property as of July 1. Taxes are levied on July 1 and are due in September. The Village bills and collects its own property taxes. Village tax revenues are recognized in the year of levy.

**VILLAGE OF ELKTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

INTERFUND TRANSACTIONS:

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

MEMORANDUM ONLY - TOTAL COLUMNS:

The total columns on the combined statements are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. Prior year memorandum total amounts have been updated for comparative purposes.

ESTIMATES:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - PENSION PLANS/DEFERRED COMPENSATION PLAN:

DEFINED BENEFIT PENSION PLAN:

All Village of Elkton full-time employees participate in the Municipal Employees Retirement System ("System"), a multiple-employer public employee retirement system. The payroll for employees covered by the System for the year ended December 31, 2007 was \$99,950.

All full-time employees are eligible to participate in the System. Employees who retire at or after age 60 with 10 years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 1% of their final-average salary for each year of credited service up to 5 years. Final-average salary is the employee's salary over the last five years of credited service. Benefits fully vest on reaching 10 years of service. Vested employees may retire at or after age 55 and receive reduced retirement benefits. The System also provides death and disability benefits. Benefits are established by State statute. Retirees will receive annual adjustments of 2% effective January 1, 2004 under the MERS Benefit Program E.

Covered employees are required by State statute to contribute 3% of their salary, up to \$4,200, and 5% thereafter, to the plan. The Village is required by the same statute to contribute the remaining amounts necessary to pay benefits when due. The contribution requirement for the year ended December 31, 2007 was \$4,747, the entirety of which was from the employees.

GASB 25 AND GASB 27 INFORMATION

The following information has been prepared by the Gabriel Roeder Smith & Company (Actuaries) to provide the information necessary to comply with GASB Statements Number 26 and 27. Statement 25 is effective for fiscal years beginning after June 15, 1996 and Statement 27 is effective for fiscal years beginning after June 15, 1998.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2006 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

VILLAGE OF ELKTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2008

NOTE 2 - PENSION PLANS/DEFERRED COMPENSATION PLAN(Continued):

DEFINED BENEFIT PENSION PLAN(Continued):

GASB 25 INFORMATION (as of 12/31/06)

Actuarial Accrued Liability	
Retirees and beneficiaries currently receiving benefits	\$ 203,177
Terminated employees not yet receiving benefits	107,362
Current employees-	
Accumulated employee contributions including allocated investment income	80,482
Employer financed	<u>120,701</u>
Total Actuarial Accrued Liability	511,722
Net Assets Available for Benefits at Actuarial Value	<u>483,667</u>
(Market Value is \$490,433)	
Underfunded (Overfunded) Actuarial Accrued Liability	\$ <u>28,055</u>

GASB 27 INFORMATION (as of 12/31/06)

Fiscal Year Beginning	March 1, 2008
Annual Required Contribution (ARC)	\$12,348
Amortization Factor Used	0.085453

DEFINED CONTRIBUTION PENSION PLAN:

On February 12, 2002 the Village council adopted a 401A Defined Contribution Plan ("Plan") for the Village employees that was effective September 20, 2002. At February 29, 2008, there were three plan members. Plan members are required to contribute 5% of covered salary. The Village is required to contribute 3% of annual covered payroll. Plan provisions and contribution requirements are established and may be amended by the Village Council.

BASIS OF ACCOUNTING

The financial statements of the 401A Defined Contribution Plan for the Village of Elkton are prepared using the accrual basis of accounting. Employer and plan member contributions are recognized in the period that the contributions are due.

VALUATION OF INVESTMENTS

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value.

Mutual fund investments of \$105,714 were held at December 31, 2007.

VILLAGE OF ELKTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2008

NOTE 3 - SEGMENT INFORMATION:

The Village maintains two enterprise funds that provide ambulance and water and sewer services. Segment information for the year ended February 29, 2008, is as follows:

	WATER & ENTERPRISE		
	AMBULANCE	SEWER	FUNDS
Operating revenue	\$ 100,393	\$ 153,587	\$ 253,980
Depreciation & Amortization expense	8,907	31,452	40,359
Operating income (loss)	8,047	10,549	18,596
Net income	9,476	765	10,241
Property, plant & equipment:			
Additions			-
Net working capital (deficit)	104,257	(181,983)	(77,726)
Total identifiable assets	121,521	1,686,469	1,807,990
Total equity	121,521	692,396	813,917

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES:

The amounts of interfund receivables and payables are as follows:

FUND	INTERFUND RECEIVABLE	FUND	INTERFUND PAYABLE
General	\$ 312,876	General	\$ 116,641
Special Revenue	26,000	Special	163,638
Capital Projects	25,000	Enterprise	358,024
Enterprise	215,277		
Perpetual Care	59,150		
TOTAL	\$ 638,303		\$ 638,303

The outstanding balances between the funds result mainly from the time lag between the dates that (1) Interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

NOTE 5 - INTERFUND TRANSFERS:

Transfers were made between funds to subsidize operations. Interfund transfers for the year ended February 29, 2008, consisted of the following amounts:

		TRANSFERS FROM						
		General Fund	Major Streets	Local Streets	Water & Sewer	Capital Project	Lagoon	Equipment
TRANSFERS TO	General Fund							\$ -
	Major Streets							-
	Local Streets		\$10,500					10,500
	Water & Sewer							-
	Capital Project							-
	Lagoon				\$10,000			10,000
	Equipment	\$ 20,000						20,000
Total		\$ 20,000	\$10,500	\$ -	\$10,000	\$ -	\$ -	\$40,500

**VILLAGE OF ELKTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2008**

NOTE 6 - CASH:

DEPOSITS:

At year-end, the carrying amount of the Village's deposits was \$910,700 and the bank balance was \$931,897. Of the bank balance, \$200,000 was covered by federal depository insurance with the remaining balance uninsured and uncollateralized.

Not all disclosures required by GASB 40 are reported. The Village has no investments as of February 29, 2008.

NOTE 7 - CONTRIBUTED CAPITAL AND CONTRIBUTIONS IN AID OF CONSTRUCTION:

Contributed capital currently exists only in the Enterprise Funds. This capital has been used along with other Village resources to purchase or construct the water and sewer systems currently in use or still in construction within the Village. In order to more accurately reflect the equity remaining in these contributions, depreciation expense on fixed assets acquired by grants, entitlements and shared revenues is closed to contributed capital and contributions in aid of construction rather than retained earnings.

NOTE 8 - CAPITAL ASSET SUMMARY:

A summary of proprietary fund type and governmental activities property, plant, and equipment at February 29, 2008 is as follows:

	<u>AMBULANCE FUND</u>	<u>WATER & SEWER FUND</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>TOTAL</u>
Land		\$ 208,304		\$ 208,304
Buildings			\$ 459,000	459,000
Police			81,062	81,062
DPW			243,705	243,705
Parks			55,000	55,000
Major & Local Streets			1,158,193	1,158,193
Equipment	40,061		25,400	65,461
Ambulance	76,390			76,390
Sewer line		662,109		662,109
Water line		1,165,154		1,165,154
Water tower		122,045		122,045
Lagoon system		219,506		219,506
Total Costs	116,451	2,377,118	2,022,360	4,515,929
Less Accumulated Depreciation	(99,187)	(876,008)	(889,096)	(1,864,291)
Net Carrying Amount	\$ 17,264	\$ 1,501,110	\$ 1,133,264	\$ 2,651,638

All depreciation is computed using the straight-line method. Depreciation expense amounted to \$115,892 for the year ended February 29, 2008.

VILLAGE OF ELKTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2008

NOTE 9 - LEGAL COMPLIANCE - BUDGETS:

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or prior to February 28 of each year, a proposed budget is submitted to the Council for the fiscal year commencing the following March 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to March 1 the budget is legally enacted through passage of a resolution.
4. Any revisions of the budget must be approved by the Village Council.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, debt service fund and special revenue funds.
6. Budgets for general, special revenue and debt service funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Village Council during the fiscal year. Individual amendments were not material in relation to the original appropriations that were amended.
7. The budget is prepared by fund and function and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Expenditures may not exceed budget at the function level.

NOTE 10 - RISK MANAGEMENT:

The Village is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent third parties. Settled claims from these risks have not exceeded insurance coverage for the past three years.

NOTE 11 - LONG TERM DEBT:

The Village issues bonds to provide funds for the acquisition, construction and improvements of major facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. Long-term obligations currently outstanding are as follows:

2004 Drinking Water Revolving Bonds (face amount \$835,000) with annual installment payments ranging from \$30,000 - \$50,000 with interest at 2.125%.	<u>\$626,418</u>
Total bonded debt	\$626,418
Accumulated compensated absences	<u>21,806</u>
Total long-term debt	<u><u>\$648,224</u></u>

VILLAGE OF ELKTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2008

NOTE 11 - LONG-TERM DEBT (Continued):

The annual requirements to amortize long-term debt outstanding as of February 2008 are as follows:

<u>YEAR ENDED</u> <u>FEBRUARY 28,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2009	\$ 30,000	\$ 13,312	\$ 43,312
2010	35,000	12,674	47,674
2011	35,000	11,930	46,930
2012	35,000	11,186	46,186
2013	35,000	10,442	45,442
2014	35,000	9,698	44,698
2015	35,000	8,956	43,956
2016	40,000	8,212	48,212
2017	40,000	7,362	47,362
2018	40,000	6,512	46,512
2019	40,000	5,662	45,662
2020	40,000	4,812	44,812
2021	40,000	3,962	43,962
2022	50,000	3,112	53,112
2023	50,000	2,048	52,048
2024	<u>46,418</u>	<u>986</u>	<u>47,404</u>
Total	\$ 626,418	\$120,866	\$ 747,284
Compensated Absences	<u>21,806</u>	<u>-</u>	<u>21,806</u>
TOTAL	<u>\$ 648,224</u>	<u>\$120,866</u>	<u>\$ 769,090</u>

NOTE 12 -- DEFICIT FUND BALANCE:

The Major Street Fund ended the fiscal year with a \$40,015 deficit fund balance.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF ELKTON, MICHIGAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 29, 2008

	BUDGET			VARIANCE -
	ORIGINAL	FINAL	ACTUAL	FAVORABLE
				(UNFAVORABLE)
REVENUES:				
Taxes	\$ 373,397	\$ 343,243	\$ 343,243	-
Intergovernmental	80,000	97,509	98,031	\$ 522
Charges for services	69,250	74,134	74,134	-
Police	6,600	6,435	6,435	-
Miscellaneous	22,025	33,267	36,382	3,115
TOTAL REVENUES	551,272	554,588	558,225	3,637
EXPENDITURES:				
Election	1,000	917	917	-
Administration	124,435	121,472	121,198	274
Cemetery	17,116	15,298	15,308	(10)
Village buildings and grounds	38,457	28,636	28,637	(1)
Police	141,594	131,325	131,325	-
Public works	141,281	136,714	139,440	(2,726)
Recreation	38,024	30,494	30,494	-
Equipment	63,016	39,873	39,873	-
TOTAL EXPENDITURES	562,923	504,729	507,192	(2,463)
EXCESS OF REVENUE OVER (UNDER)				
EXPENDITURES	(11,651)	49,859	51,033	1,174
OTHER FINANCING SOURCES (USES):				
Transfers in				-
Transfers out		(20,000)	(20,000)	-
TOTAL OTHER FINANCING SOURCES (USES):	-	(20,000)	(20,000)	-
EXCESS OF REVENUE & OTHER SOURCES				
OVER (UNDER) EXPENDITURES AND				
OTHER USES	(11,651)	29,859	31,033	1,174
FUND BALANCE - MARCH 1	661,831	661,831	661,831	-
FUND BALANCE - FEBRUARY 29	\$ 650,180	\$ 691,690	\$ 692,864	\$ 1,174

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
MAJOR STREET FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 29, 2008

	BUDGET			VARIANCE- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUE:				
Intergovernmental revenue:				
Gas & weight tax	\$ 44,000	\$ 43,711	\$ 43,621	\$ (90)
Interest and other	450	5,824	5,824	-
TOTAL REVENUE	44,450	49,535	49,445	(90)
EXPENDITURES:				
Construction	190,640	139,226	133,047	6,179
Routine maintenance	8,976	7,305	7,305	-
Traffic services	4,274	1,082	1,082	-
Snow & ice controls	11,660	8,314	8,852	(538)
Administrative	9,560	8,335	7,175	1,160
TOTAL EXPENDITURES	225,110	164,262	157,461	6,801
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	-	-
Operating transfers out	(10,500)	(10,500)	(10,500)	-
	(10,500)	(10,500)	(10,500)	-
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	(191,160)	(125,227)	(118,516)	6,711
FUND BALANCE - MARCH 1	78,501	78,501	78,501	-
FUND BALANCE - FEBRUARY 29	\$ (112,659)	\$ (46,726)	\$ (40,015)	\$ 6,711

See the accompanying notes

VILLAGE OF ELKTON, MICHIGAN
LOCAL STREET FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 29, 2008

	BUDGET		ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUE:				
Tax levy	\$76,000	\$ 78,783	\$ 78,783	-
Intergovernmental revenue:				
Gas & weight tax	16,000	15,610	15,578	\$ (32)
Interest and other	750	8,945	8,943	(2)
TOTAL REVENUE	<u>92,750</u>	<u>103,338</u>	<u>103,304</u>	<u>(34)</u>
EXPENDITURES:				
Construction	214,239	193,046	188,183	4,863
Routine maintenance	6,340	8,200	8,200	-
Traffic maintenance	1,218	114	114	-
Snow & ice controls	7,160	6,867	6,867	-
Administrative	7,980	6,755	6,175	580
TOTAL EXPENDITURES	<u>236,935</u>	<u>214,982</u>	<u>209,539</u>	<u>5,443</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(144,185)</u>	<u>(111,644)</u>	<u>(106,235)</u>	<u>5,409</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	10,500	10,500	10,500	-
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>(133,685)</u>	<u>(101,144)</u>	<u>(95,735)</u>	<u>5,409</u>
FUND BALANCE - MARCH 1	<u>206,640</u>	<u>206,640</u>	<u>206,640</u>	<u>-</u>
FUND BALANCE - FEBRUARY 29	<u>\$ 72,955</u>	<u>\$ 105,496</u>	<u>\$ 110,905</u>	<u>\$ 5,409</u>

See the accompanying notes.

**VILLAGE OF ELKTON, MICHIGAN
AMBULANCE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 29, 2008**

	BUDGET		ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUE:				
Ambulance calls	\$ 71,000	\$ 83,528	\$ 83,528	-
Miscellaneous	140,861	150,868	16,865	\$ (134,001)
TOTAL REVENUE	211,861	234,394	100,393	(134,001)
EXPENDITURES:				
Operating Expenses:				
Salaries & wages	31,790	27,511	30,294	(2,783)
Employee benefits	5,722	5,063	5,425	(362)
Operating supplies	7,950	5,668	5,669	(1)
General fund administrative fee	1,000	1,000	1,000	-
Professional fees	8,325	7,577	7,577	-
Telephone	474	459	459	-
Insurance	6,400	5,946	5,946	-
Repairs & maintenance	2,000	1,100	1,100	-
Advertising	150	73	73	-
Depreciation	8,756	8,756	8,907	(151)
Education & training	2,750	1,470	1,470	-
Capital outlay	1,025	840	428	412
Miscellaneous	147,200	148,998	23,998	125,000
Total Operating Expenses	223,542	214,461	92,346	122,115
OPERATING INCOME (LOSS)	(11,681)	19,933	8,047	(11,886)
NON-OPERATING REVENUE (EXPENSES)				
Interest earned	500	1,429	1,429	-
TOTAL NON-OPERATING REVENUE (EXPENSES)	500	1,429	1,429	-
INCOME (LOSS) BEFORE OPERATING TRANSFERS IN (OUT)	(11,181)	21,362	9,476	(11,886)
OPERATING TRANSFERS IN (OUT)	-	-	-	-
NET INCOME (LOSS)	(11,181)	21,362	9,476	(11,886)
RETAINED EARNINGS - MARCH 1	65,314	65,314	65,314	-
RETAINED EARNINGS - FEBRUARY 29	\$ 54,133	\$ 86,676	\$ 74,790	\$ (11,886)

See the accompanying notes.

**VILLAGE OF ELKTON, MICHIGAN
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 29, 2008**

	BUDGET		ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUE:				
Water & sewer system sales	\$ 93,500	\$ 144,184	\$ 99,371	\$ (44,813)
Other services, charges & sales	4,700	6,760	6,941	191
Special Assessments	45,250	44,700	44,700	-
Interest & penalties	2,150	2,575	2,575	-
TOTAL REVENUE	145,600	198,209	153,587	(44,622)
EXPENDITURES:				
Operating Expenses:				
Salaries & wages	22,200	39,568	19,737	19,831
Employee benefits	10,440	10,704	10,704	-
Operating supplies	5,750	4,953	4,953	-
General fund administrative fee	3,000	3,000	3,000	-
Professional fees	1,075	9,971	-	9,971
Contracted services	1,817	1,817	1,817	-
Telephone	600	613	613	-
Insurance	6,400	5,175	5,175	-
Heat, light & power	8,400	8,023	8,023	-
Repairs & maintenance	8,300	31,964	29,079	2,885
Bond Interest	-	13,949	13,949	-
Depreciation	30,576	30,576	31,452	(876)
Equipment rental	4,500	6,363	6,363	-
Dues & subscriptions	500	540	540	-
Education & training	500	437	437	-
Capital outlay	63,500	9,613	-	9,613
Miscellaneous	8,750	7,697	7,107	500
Total Operating Expenses	176,308	184,983	143,039	41,944
OPERATING INCOME (LOSS)	(30,708)	13,226	10,548	(2,678)
NON-OPERATING REVENUE (EXPENSES)				
Interest earned	100	216	216	-
TOTAL NON-OPERATING REVENUE (EXPENSES)	100	216	216	-
INCOME (LOSS) BEFORE OPERATING TRANSFERS IN (OUT)	(30,608)	13,442	10,764	(2,678)
OPERATING TRANSFERS IN (OUT)	(10,000)	(10,000)	(10,000)	-
NET INCOME (LOSS)	(40,608)	3,442	764	(2,678)
RETAINED EARNINGS - MARCH 1	593,515	593,515	593,515	-
RETAINED EARNINGS - FEBRUARY 29	\$ 552,907	\$ 596,957	\$ 594,279	\$ (2,678)

See the accompanying notes.

ADDITIONAL INFORMATION

VILLAGE OF ELKTON
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
FEBRUARY 29, 2008

	<u>CAPITAL PROJECT</u>	<u>PERPETUAL CARE</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>			
Cash	\$ 97,799	\$ 27,252	\$ 125,051
Due from other funds	25,000	19,025	44,025
TOTAL ASSETS	<u>\$ 122,799</u>	<u>\$ 46,277</u>	<u>\$ 169,076</u>
<u>LIABILITIES & FUND BALANCES</u>			
Liabilities:			
Due to other funds	-	-	-
Total Liabilities	-	-	-
Fund Balances:			
Reserved for:			
Debt service			-
Designated	\$ 122,799	\$ 46,277	\$ 169,076
Total Fund Balances	122,799	46,277	169,076
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 122,799</u>	<u>\$ 46,277</u>	<u>\$ 169,076</u>

See the accompanying notes.

VILLAGE OF ELKTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED FEBRUARY 29, 2008

	CAPITAL PROJECT FUND	PERPETUAL CARE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES:			
Interest Income	\$ 1,843	\$ 629	\$ 2,472
Miscellaneous	-	-	-
Sale of Lots	-	4,000	4,000
	<hr/>	<hr/>	<hr/>
TOTAL REVENUE	1,843	4,629	6,472
	<hr/>	<hr/>	<hr/>
EXPENDITURES:			
Miscellaneous	-	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	-	-	-
	<hr/>	<hr/>	<hr/>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	1,843	4,629	6,472
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	10,000	-	10,000
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	10,000	-	10,000
	<hr/>	<hr/>	<hr/>
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	11,843	4,629	16,472
	<hr/>	<hr/>	<hr/>
FUND BALANCE - MARCH 1	110,956	41,648	152,604
	<hr/>	<hr/>	<hr/>
FUND BALANCE - FEBRUARY 29	\$ 122,799	\$ 46,277	\$ 169,076
	<hr/>	<hr/>	<hr/>

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 29, 2008

	<u>2008</u>			<u>2007</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>	<u>ACTUAL</u>
REVENUES:				
Taxes	\$ 343,243	\$ 343,243	-	\$ 315,307
Intergovernmental	97,509	98,031	\$ 522	99,674
Charges for services	74,134	74,134	-	72,023
Police	6,435	6,435	-	44,683
Miscellaneous	33,267	36,382	3,115	38,049
TOTAL REVENUES	<u>554,588</u>	<u>558,225</u>	<u>(3,637)</u>	<u>569,736</u>
EXPENDITURES:				
Election	917	917	-	-
Administration	121,472	121,198	274	105,330
Cemetery	15,298	15,308	(10)	14,310
Village buildings and grounds	28,636	28,637	(1)	29,995
Police	131,325	131,325	-	166,993
Public works	136,714	139,440	(2,726)	126,436
Recreation	30,494	30,494	-	34,303
Equipment	39,873	39,873	-	48,866
TOTAL EXPENDITURES	<u>504,729</u>	<u>507,192</u>	<u>(2,463)</u>	<u>526,233</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>49,859</u>	<u>51,033</u>	<u>1,174</u>	<u>43,503</u>
OTHER FINANCING SOURCES (USES):				
Transfers in			-	
Transfers out	(20,000)	(20,000)	-	(20,000)
TOTAL OTHER FINANCING SOURCES (USES):	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>	<u>(20,000)</u>
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>29,859</u>	<u>31,033</u>	<u>1,174</u>	<u>23,503</u>
FUND BALANCE - MARCH 1	<u>661,831</u>	<u>661,831</u>	<u>-</u>	<u>638,328</u>
FUND BALANCE - FEBRUARY 29	<u>\$ 691,690</u>	<u>\$ 692,864</u>	<u>\$ 1,174</u>	<u>\$ 661,831</u>

See the accompanying notes

**VILLAGE OF ELKTON, MICHIGAN
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET**

	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>TOTALS FEBRUARY 29, 2008</u>	<u>2007</u>
<u>ASSETS</u>				
Cash	\$ 90,581	\$ 107,313	\$ 197,894	\$ 464,890
Due from other funds		26,000	26,000	15,500
Due from other units	<u>7,836</u>	<u>2,798</u>	<u>10,634</u>	<u>10,758</u>
TOTAL ASSETS	<u>\$ 98,417</u>	<u>\$ 136,111</u>	<u>\$ 234,528</u>	<u>\$ 491,148</u>
 <u>LIABILITIES & FUND EQUITY</u>				
Liabilities:				
Accounts payable	-	-	-	\$ 9,726
Due to other units	<u>\$ 138,432</u>	<u>\$ 25,206</u>	<u>\$ 163,638</u>	<u>196,281</u>
Total Liabilities	138,432	25,206	163,638	206,007
Fund equity:				
Fund balance:				
Undesignated	<u>(40,015)</u>	<u>110,905</u>	<u>70,890</u>	<u>285,141</u>
Total Fund Equity	<u>(40,015)</u>	<u>110,905</u>	<u>70,890</u>	<u>285,141</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 98,417</u>	<u>\$ 136,111</u>	<u>\$ 234,528</u>	<u>\$ 491,148</u>

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE
FOR THE YEAR ENDED FEBRUARY 29, 2008

	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>TOTALS</u>	
			<u>2008</u>	<u>2007</u>
REVENUE:				
Taxes		\$ 78,783	\$ 78,783	\$ 73,921
Intergovernmental revenue	\$ 43,621	15,578	59,199	59,575
Miscellaneous	5,824	8,943	14,767	8,889
TOTAL REVENUE	<u>49,445</u>	<u>103,304</u>	<u>152,749</u>	<u>142,385</u>
EXPENDITURES:				
Streets	150,286	203,364	353,650	141,017
Administration	<u>7,175</u>	<u>6,175</u>	<u>13,350</u>	<u>14,646</u>
TOTAL EXPENDITURES	<u>157,461</u>	<u>209,539</u>	<u>367,000</u>	<u>155,663</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(108,016)</u>	<u>(106,235)</u>	<u>(214,251)</u>	<u>(13,278)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	10,500	10,500	10,500
Operating transfers out	(10,500)	-	(10,500)	(10,500)
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	<u>(118,516)</u>	<u>(95,735)</u>	<u>(214,251)</u>	<u>(13,278)</u>
FUND BALANCE - MARCH 1	<u>78,501</u>	<u>206,640</u>	<u>285,141</u>	<u>298,419</u>
FUND BALANCE - FEBRUARY 29	<u>\$ (40,015)</u>	<u>\$ 110,905</u>	<u>\$ 70,890</u>	<u>\$ 285,141</u>

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
MAJOR STREET FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 29, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Intergovernmental revenue:			
Gas & weight tax	\$ 43,711	\$ 43,621	\$ (90)
Interest and other	5,824	5,824	-
TOTAL REVENUE	<u>49,535</u>	<u>49,445</u>	<u>(90)</u>
EXPENDITURES:			
Construction	139,226	133,047	6,179
Routine maintenance	7,305	7,305	-
Traffic services	1,082	1,082	-
Snow & ice controls	8,314	8,852	(538)
Administrative	8,335	7,175	1,160
TOTAL EXPENDITURES	<u>164,262</u>	<u>157,461</u>	<u>6,801</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	-	-
Operating transfers out	(10,500)	(10,500)	-
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	<u>(125,227)</u>	<u>(118,516)</u>	<u>(6,891)</u>
FUND BALANCE - MARCH 1	<u>78,501</u>	<u>78,501</u>	<u>-</u>
FUND BALANCE - FEBRUARY 29	<u>\$ (46,726)</u>	<u>\$ (40,015)</u>	<u>\$ 6,711</u>

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
LOCAL STREET FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 29, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Tax levy	\$ 78,783	\$ 78,783	-
Intergovernmental revenue:			
Gas & weight tax	15,610	15,578	\$ (32)
Interest and other	8,945	8,943	(2)
TOTAL REVENUE	<u>103,338</u>	<u>103,304</u>	<u>(34)</u>
EXPENDITURES:			
Construction	193,046	188,183	4,863
Routine maintenance	8,200	8,200	-
Traffic maintenance	114	114	-
Snow & ice controls	6,867	6,867	-
Administrative	6,755	6,175	580
TOTAL EXPENDITURES	<u>214,982</u>	<u>209,539</u>	<u>5,443</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(111,644)</u>	<u>(106,235)</u>	<u>5,409</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	10,500	10,500	-
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>(101,144)</u>	<u>(95,735)</u>	<u>5,409</u>
FUND BALANCE - MARCH 1	<u>206,640</u>	<u>206,640</u>	<u>-</u>
FUND BALANCE - FEBRUARY 29	<u>\$ 105,496</u>	<u>\$ 110,905</u>	<u>\$ 5,409</u>

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUE
YEAR ENDED FEBRUARY 29, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Taxes:			
Current property tax	\$ 339,308	\$ 339,308	-
Tax collection fees	3,935	3,935	-
Total Taxes	<u>343,243</u>	<u>343,243</u>	<u>-</u>
Intergovernmental Revenue:			
State of Michigan			
State revenue sharing	<u>97,509</u>	<u>98,031</u>	<u>\$ 522</u>
Total Intergovernmental Revenue	<u>97,509</u>	<u>98,031</u>	<u>522</u>
Charges For Services:			
Cemetery	6,375	6,375	-
Public Works	42,924	42,924	-
Equipment Department			
Major Street Fund	8,873	8,873	-
Local Street Fund	9,599	9,599	-
Water and Sewer Fund	<u>6,363</u>	<u>6,363</u>	<u>-</u>
Total Charges For Services	<u>74,134</u>	<u>74,134</u>	<u>-</u>
Police	<u>6,435</u>	<u>6,435</u>	<u>-</u>
Miscellaneous Revenue:			
Building and property rental	9,170	9,170	-
Interest income	9,526	9,526	-
Cable TV franchise fees	4,447	4,447	-
Sale of Assets	200	200	-
Fines	-	-	-
Administration fees	7,034	6,883	(151)
Refunds and other	<u>2,890</u>	<u>6,156</u>	<u>3,266</u>
Total Miscellaneous Revenue	<u>33,267</u>	<u>36,382</u>	<u>3,115</u>
TOTAL REVENUE	<u>\$ 554,588</u>	<u>\$ 558,225</u>	<u>\$ 3,637</u>

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED FEBRUARY 29, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES:			
Election:			
Election salaries	\$ 358	\$ 358	-
Supplies	559	559	-
Total Election	<u>917</u>	<u>917</u>	<u>-</u>
Administrative:			
Salaries	40,341	40,341	-
Employees social security	21,416	20,004	\$ 1,412
BCBS employee insurance	66,715	66,715	-
Holiday pay	6,738	6,738	-
MERS fund contribution	12,740	12,740	-
MESC contribution	-	-	-
Employee benefits	18,326	18,326	-
Bereavement, Sick, Personal and Vacation pay	24,312	24,312	-
Fringe benefits	(114,394)	(114,394)	-
PO Box reimbursements	-	-	-
Postage	730	730	-
Office supplies	50	50	-
Printing	601	602	(1)
Operating supplies	593	593	-
Audit fee	3,250	3,250	-
Tax roll fees	648	649	(1)
Contracted services	2,068	2,068	-
Legal fees	184	184	-
Telephone / Internet	2,783	2,783	-
Training/Education	1,013	1,013	-
Mileage	422	422	-
Public relations	2,356	2,356	-
Publishing	1,442	1,442	-
Insurance & Bonds	6,097	6,097	-
Membership dues	1,148	1,148	-
Drug task donation	500	-	500
Miscellaneous	-	1,636	(1,636)
Capital outlay	21,393	21,393	-
Total Administration	<u>121,472</u>	<u>121,198</u>	<u>274</u>

(Continued)

VILLAGE OF ELKTON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED FEBRUARY 29, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES, (Continued):			
Village Buildings & Grounds:			
Salaries	\$ 4,161	\$ 4,161	-
Employee benefits	2,413	2,414	\$ (1)
Custodial supplies	556	556	-
Property rent - CSX R/R	556	556	-
Insurance	5,175	5,175	-
Contracted services	3,841	3,841	-
Repairs and maintenance	1,742	1,742	-
Electricity	4,173	4,173	-
Heat	4,942	4,942	-
Miscellaneous	150	150	-
Capital outlay	927	927	-
	<u>28,636</u>	<u>28,637</u>	<u>(1)</u>
Total Village Buildings & Grounds			
Police Department:			
Salaries	69,221	69,221	-
Employee benefits	38,171	38,171	-
Supplies	1,470	1,470	-
Legal fees	3,710	3,710	-
Uniforms and cleaning	872	872	-
Telephone / Internet	1,394	1,394	-
Police car maintenance	1,727	1,727	-
Equipment maintenance	248	248	-
Gas and oil	3,631	3,631	-
Insurance	5,175	5,175	-
Membership dues	100	100	-
Miscellaneous	163	163	-
Capital outlay	1,707	1,707	-
Training and other	3,736	3,736	-
	<u>131,325</u>	<u>131,325</u>	<u>-</u>
Total Police Department			

(Continued)

**VILLAGE OF ELKTON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED FEBRUARY 29, 2008**

EXPENDITURES, (Continued):	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
Cemetery:			
Salaries	\$ 2,317	\$ 2,317	-
Employee benefits	1,334	1,344	\$ (10)
Supplies	547	547	-
Contracted service	4,492	4,492	-
Insurance	5,175	5,175	-
Equipment and Repair	546	546	-
Capital outlay	887	887	-
Total Cemetery	<u>15,298</u>	<u>15,308</u>	<u>(10)</u>
Public Works Department:			
Salaries	37,282	37,282	-
Employee benefits	21,624	23,472	(1,848)
Tools and supplies	1,189	1,189	-
Uniforms	1,200	1,200	-
Contracted services	42,903	42,903	-
Holiday decorations	1,583	1,583	-
Public relations	-	-	-
Insurance	5,175	5,175	-
Storm drain maintenance	722	722	-
Street lighting	18,711	18,771	(60)
Sidewalk and parking maintenance	1,474	2,291	(817)
Tree maintenance	870	870	-
Seeding/Planting supplies	-	-	-
Radios/Pager	26	27	(1)
CDL fees/dues	372	372	-
Water/Sewer fee	3,000	3,000	-
Capital Outlay	519	519	-
Miscellaneous	64	64	-
Total Public Works Department	<u>136,714</u>	<u>139,440</u>	<u>(2,726)</u>
Recreation Department:			
Salaries	7,043	7,043	-
Employee benefits	3,180	3,180	-
Supplies	2,078	2,078	-
Contracted services	7,640	7,640	-
Insurance	5,175	5,175	-
Repairs and Maintenance	2,424	2,424	-
Park lighting	2,954	2,954	-
Capital outlay	-	-	-
Total Recreation Department	<u>30,494</u>	<u>30,494</u>	<u>-</u>
(Continued)			

**VILLAGE OF ELKTON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED FEBRUARY 29, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES, (Continued):			
Equipment Department			
Salaries	\$ 12,347	\$ 12,347	-
Employee benefits	7,161	7,161	-
Tools & supplies	1,502	1,502	-
Repairs	3,325	3,325	-
Outside labor and repair	3,198	3,198	-
Gas and oil	6,586	6,586	-
Insurance	5,175	5,175	-
Miscellaneous	200	200	-
Capital outlay	379	379	-
	<u>39,873</u>	<u>39,873</u>	<u>-</u>
Total Equipment Department	39,873	39,873	-
TOTAL EXPENDITURES	<u>504,729</u>	<u>507,192</u>	<u>\$ (2,463)</u>
OTHER FINANCING USES:			
Operating transfers out	<u>20,000</u>	<u>20,000</u>	<u>-</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 524,729</u>	<u>\$ 527,192</u>	<u>\$ (2,463)</u>

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
AMBULANCE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
YEAR ENDED FEBRUARY 29, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE 2007</u>
REVENUE:			
Ambulance calls	\$ 83,528	\$ 83,528	-
Interest income	1,429	1,429	-
Miscellaneous	<u>150,866</u>	<u>16,865</u>	<u>\$ (134,001)</u>
TOTAL REVENUE	<u>235,823</u>	<u>101,822</u>	<u>(134,001)</u>
EXPENDITURES:			
Operating Expenses:			
Salaries & wages	27,511	30,294	(2,783)
Employee benefits	5,063	5,425	(362)
Operating supplies	5,668	5,669	(1)
General fund administrative fee	1,000	1,000	-
Professional fees	7,577	7,577	-
Telephone / Internet	459	459	-
Insurance	5,946	5,946	-
Repairs & maintenance	1,100	1,100	-
Advertising	73	73	-
Depreciation	8,756	8,907	(151)
Education & training	1,470	1,470	-
Capital outlay	840	428	412
Miscellaneous	<u>148,998</u>	<u>23,998</u>	<u>125,000</u>
Total Operating Expenses	<u>214,461</u>	<u>92,346</u>	<u>122,115</u>
TOTAL EXPENDITURES	<u>\$ 214,461</u>	<u>\$ 92,346</u>	<u>\$ 122,115</u>

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
YEAR ENDED FEBRUARY 29, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Water & sewer system sales	\$ 144,184	\$ 99,371	\$ (44,813)
Other services, charges & sales	6,750	6,941	191
Special assessments	44,700	44,700	-
Interest & penalties	2,575	2,575	-
Interest income	216	216	-
TOTAL REVENUE	<u>198,425</u>	<u>153,803</u>	<u>(44,622)</u>
EXPENDITURES:			
Operating Expenses:			
Salaries & wages	39,568	19,737	19,831
Employee benefits	10,704	10,704	-
Operating supplies	4,953	4,953	-
General fund administrative fee	3,000	3,000	-
Professional fees	9,971	-	9,971
Contracted services	1,817	1,817	-
Telephone	613	613	-
Insurance	5,175	5,175	-
Heat, light & power	8,023	8,023	-
Repairs & maintenance	31,984	29,079	2,905
Bond interest	13,949	13,949	-
Depreciation	30,576	31,452	(876)
Equipment rental	6,363	6,363	-
Dues & subscriptions	540	540	-
Education & training	437	437	-
Capital outlay	9,613	-	9,613
Miscellaneous	7,697	7,197	500
Transfer to other funds	10,000	10,000	-
Total Operating Expenses	<u>194,983</u>	<u>153,039</u>	<u>41,944</u>
TOTAL EXPENDITURES	<u>\$ 194,983</u>	<u>\$ 153,039</u>	<u>\$ 41,944</u>

See the accompanying notes

**VILLAGE OF ELKTON, MICHIGAN
MAJOR STREET FUNDS
SCHEDULE OF EXPENDITURES
YEAR ENDED FEBRUARY 29, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES:			
Construction			
Labor	-	-	-
Employee benefits	-	-	-
Materials & supplies	\$ 75	\$ 75	-
Contracted services	139,151	132,972	\$ 6,179
Equipment rental	-	-	-
Total Construction	<u>139,226</u>	<u>133,047</u>	<u>\$ 6,179</u>
Routine Maintenance:			
Labor	1,565	1,565	-
Employee benefits	908	908	-
Materials and supplies	493	493	-
Equipment rental	4,339	4,339	-
Total Routine Maintenance	<u>7,305</u>	<u>7,305</u>	<u>-</u>
Traffic Maintenance:			
Labor	113	113	-
Employee benefits	65	65	-
Supplies	904	904	-
Equipment rental	-	-	-
Total Traffic Maintenance	<u>1,082</u>	<u>1,082</u>	<u>-</u>
Snow & Ice Control:			
Labor	1,842	1,842	-
Employee benefits	1,068	1,068	-
Snow removal supplies	332	332	-
Equipment rental	5,072	5,610	(538)
Total Snow & Ice Control	<u>8,314</u>	<u>8,852</u>	<u>(538)</u>
Administrative:			
Employee benefits	1,160	-	1,160
General fund	2,000	2,000	-
Insurance	5,175	5,175	-
Total Administrative	<u>8,335</u>	<u>7,175</u>	<u>1,160</u>
TOTAL EXPENDITURES	<u>\$ 25,036</u>	<u>\$ 157,461</u>	<u>\$ (132,425)</u>

See the accompanying notes.

**VILLAGE OF ELKTON, MICHIGAN
LOCAL STREET FUNDS
SCHEDULE OF EXPENDITURES
YEAR ENDED FEBRUARY 29, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES:			
Construction:			
Labor	\$ 116	\$ 116	-
Employee benefits	67	67	-
Materials and supplies	192,863	188,000	\$ 4,863
Equipment rental	-	-	-
	<u>193,046</u>	<u>188,183</u>	<u>4,863</u>
Total Construction			
	<u>193,046</u>	<u>188,183</u>	<u>4,863</u>
Routine Maintenance:			
Labor	1,609	1,609	-
Employee benefits	933	933	-
Materials and supplies	269	269	-
Equipment rental	5,389	5,389	-
	<u>8,200</u>	<u>8,200</u>	<u>-</u>
Total Routine Maintenance			
	<u>8,200</u>	<u>8,200</u>	<u>-</u>
Traffic Maintenance:			
Labor	52	52	-
Employee benefits	30	30	-
Materials and supplies	32	32	-
Equipment rental	-	-	-
	<u>114</u>	<u>114</u>	<u>-</u>
Total Traffic Maintenance			
	<u>114</u>	<u>114</u>	<u>-</u>
Snow & Ice Control:			
Labor	1,674	1,674	-
Employee benefits	971	971	-
Snow removal supplies	549	549	-
Equipment rental	3,673	3,673	-
	<u>6,867</u>	<u>6,867</u>	<u>-</u>
Total Snow & Ice Control			
	<u>6,867</u>	<u>6,867</u>	<u>-</u>
Administrative:			
Employee benefits	580	-	580
General fund	1,000	1,000	-
Insurance	5,175	5,175	-
	<u>6,755</u>	<u>6,175</u>	<u>580</u>
Total Administrative			
	<u>6,755</u>	<u>6,175</u>	<u>580</u>
TOTAL EXPENDITURES	<u><u>\$ 214,982</u></u>	<u><u>\$ 209,539</u></u>	<u><u>\$ 5,443</u></u>

See the accompanying notes.

VILLAGE OF ELKTON
SCHEDULE OF BONDED DEBT
2004 DEBT RETIREMENT FUND
February 29, 2008

PRINCIPAL DUE OCTOBER 1	INTEREST DUE	INTEREST DUE	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
	APRIL 1	OCTOBER 1	29-Feb	AMOUNT
\$ 30,000	\$ 6,656	\$ 6,656	2009	\$ 43,312
35,000	6,337	6,337	2010	47,674
35,000	5,965	5,965	2011	46,930
35,000	5,593	5,593	2012	46,186
35,000	5,221	5,221	2013	45,442
35,000	4,849	4,849	2014	44,698
35,000	4,478	4,478	2015	43,956
40,000	4,106	4,106	2016	48,212
40,000	3,681	3,681	2017	47,362
40,000	3,256	3,256	2018	46,512
40,000	2,831	2,831	2019	45,662
40,000	2,406	2,406	2020	44,812
40,000	1,981	1,981	2021	43,962
50,000	1,556	1,556	2022	53,112
50,000	1,024	1,024	2023	52,048
46,418	493	493	2024	47,404
<u>\$ 626,418</u>	<u>\$ 60,433</u>	<u>\$ 60,433</u>		<u>\$ 747,284</u>

See the accompanying notes.

**VILLAGE OF ELKTON, MICHIGAN
PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF FUNDING PROGRESS

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL) - ENTRY AGE	UNFUNDED AAL (UAAL)	FUNDED RATIO
December 31, 2002	\$ 437,906	\$ 422,727	\$ 15,179	103.59%
December 31, 2003	\$ 445,438	\$ 436,586	\$ 8,852	102.03%
December 31, 2004	\$ 453,870	\$ 461,826	\$ (7,956)	98.28%
December 31, 2005	\$ 463,901	\$ 486,990	\$ (23,089)	95.26%
December 31, 2006	\$ 483,667	\$ 511,722	\$ (28,055)	94.52%

See the accompanying notes.



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

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Jamic L. Pcasley, CPA
Timothy Franzel

April 24, 2008

Robert L. Tuckey, CPA

To the Board of the Village of Elkton

In planning and performing our audit of the financial statements of Village of Elkton as of and for the year ended February 29, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Village of Elkton's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. During the course of our audit, we observed the following significant deficiency:

Segregation of Duties

Due to the limited number of people, many critical duties are combined and given to the available employees/board members. To the extent possible, duties should be segregated to serve as a check and balance and to maintain the best control system possible. We recommend the library segregate duties whenever possible.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

After considering the qualifications of the accounting personnel of Village of Elkton, we believe that the personnel have the abilities to maintain the day-to-day bookkeeping of the Village, but they do not have the qualifications and abilities to generate financial statements, including the required footnotes, in accordance with accounting principles generally accepted in the United States of America.

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Members of the Board
April 24, 2008
Page 2

This communication is intended solely for the information and use of management, Village of Elkton, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt & Doran, P.C.
Certified Public Accountants



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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April 24, 2008

To the Members of the Board
Village of Elkton

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Village of Elkton for the year ended February 29, 2008, and have issued our report thereon dated April 24, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 24, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on April 22, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Village of Elkton are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The adjustments have been reported to management in a separate letter.

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Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 24, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

As of February 29, 2008, the Major Street Fund had a deficit fund balance.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Members of the Board and management of Village of Elkton and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Anderson, Tuckey, Bernhardt & Doran, P.C.

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Certified Public Accountants